

Statement of Carolyn J. Lukensmeyer

Good afternoon. Mr. Chairman and Members of the Committee, I am pleased to have the opportunity to appear before you. My name is Carolyn J. Lukensmeyer and I am the Executive Director of Americans Discuss Social Security. ADSS is a project funded by The Pew Charitable Trusts to encourage discussion among all Americans on the future of Social Security. Americans Discuss Social Security has developed the following three-pronged strategy to meet this goal: extensive public polling, citizen engagement, and a media campaign. Today I will focus on the results of several of our surveys which contain data on factors relevant to retirement age.

I. Images of Aging

Generation X and the Baby Boom Generation have expectations about aging and retirement that are markedly different than the experiences of older Americans today. Young and middle-aged people think they will work later in life, work more during retirement, and be more involved in activities like volunteer work, hobbies, travel, and learning new skills. Younger generations are also more upbeat than older people about what it means to be retired. They view retirement as a chance for a "new beginning" in life and think they will live well during retirement, even as they believe the Social Security program will do little, if anything, to help them. They expect to rely mainly on their own savings and investments, and secondarily on the retirement benefits provided by their employers.

- Three-quarters of people who haven't yet retired think they will have more than enough money to meet their expenses during retirement; 67% think their own savings and investments will be more important than their Social Security benefits in shaping their financial well-being in retirement.
- Half of people age 18 to 49 think retirement is a chance for a new beginning in life; only a third of current retirees agree. Retirement means not working at all for 61% of current retirees, but only 40% of younger people agree.
- Only half of younger people (52%) expect to retire before the age of 65, but fully 69% of current retirees had already retired by that age (see graph on next page).
- Only about half of people age 18 to 49 expect to benefit from the Social Security program when they reach old age. However, almost everyone in the immediate pre-retirement years expects to receive benefits. Eighty-five percent of people age 50 to 64 either already receive Social Security benefits, or expect to in the future.

II. Public Perceptions About the Social Security Debate

The American public is alarmed about the future prospects for Social Security. Over half of Americans (55%) think Social Security is headed for major financial trouble, and another 29 percent feel it is headed for minor trouble. Only one in ten feels the Social Security program is secure and solid. Also, most people think big changes are required in order to avert this trouble, and believe the consequences of inaction will be far more severe than most experts predict. Most experts expect that, even in the absence of program changes, beneficiaries thirty years from now will still be able to receive 75 percent of their expected benefits. Few members of the general public understand this view of the program's future prospects. Most are much more pessimistic, including a third who expect Social Security to completely run out of money within two decades. This belief that the system is in crisis exists despite

the fact that few Americans claim to understand what the Social Security policy debate is all about. Furthermore, few people say they are following coverage of the debate in the news. In fact, the *attentive* public consists mainly of people age 50 and older.

Reflecting this inattentiveness, the public is only barely aware of many of the recent proposals to change Social Security, particularly those relating to privatization. No more than a third have heard a lot about any of eight specific proposals investigated in this survey. Many proposals are not well known even among the attentive public.

The public may subscribe to a more alarmist view than the experts because it is focussing on different aspects of the program's financing than are the experts. Americans are well aware of the challenge to Social Security posed by the aging of the Baby Boom generation. Most know Social Security is headed for trouble in part because the number of older people is growing faster than the number of workers. But the public's perception about the way the government has managed the Social Security trust fund dwarfs its concern about the demographic trends. The government's borrowing of excess payroll tax contributions to pay for other programs, unrelated to Social Security, is the real focus of the public's concern.

III. Saving for Retirement

Americans are not doing all they can to prepare for retirement. Non-retired adults can be classified into three groups with respect to their approach to preparing for retirement. Overall, about a quarter of non-retired people (23%) are **systematic savers**. These people have calculated how much their retirement will cost, they save on their own either by contributing regularly to an IRA or other type of account or investment specifically for retirement, and, if they have one, take advantage of an employer-sponsored retirement program by making annual contributions. About half of non-retired people (47%) are **casual savers**. They are doing something to prepare for retirement, whether it is taking advantage of an employer-sponsored retirement program, or saving regularly on their own, or just calculating what their retirement will cost. But they are not doing all they can do. And one in every three non-retired people (30%) are **non-savers** and do nothing to prepare for retirement.

Having limited income creates the biggest barrier to systematic saving. Young people with above average incomes are almost as likely to be systematic savers as those 50 and older with above average incomes. Similarly, very few non-retired people with incomes below \$40,000 are systematic savers regardless of their age.

The people who are preparing the least for retirement are the ones who know the least about retirement's financial demands. Specifically, they know the least about what financial professionals recommend about saving for retirement, about how much income they will need in retirement to maintain their standard of living, and also about how much the Social Security program will provide for them once they reach retirement age. At the same time, they seem to show more faith in the Social Security program than Americans who are saving.

Many people are missing convenient ways to save for retirement. Only 66 percent of those who have a retirement savings plan at work, such as a 401-K plan, make a contribution to the plan every year. In fact, 30 percent of non-retired adults who have not yet begun to save for retirement could start saving by contributing to a plan offered by their employer or their spouse's employer.

IV. Barriers to Working

In one ADSS survey, people were asked about a list of problems that are associated with aging. Three of these problems are barriers that prevent people from working. They are:

- being seriously ill
- not being able to drive
- having trouble walking

For each age group (except those age 70 and older), people who are experiencing at least one of these problems are less likely to work either full or part time, compared with those who have none of these problems.

As the table illustrates, until people reach about age 70, having one or more of these problems is a major barrier to working. For example, among people age 50 to 64 who are approaching retirement age about two-thirds who face none of these barriers are working (65%). Only about one-third of those who face a barrier are working (31%). Even among those who have recently reached age 65, you can see that those facing no barriers are almost three times as likely to continue working (25% vs. 9%).

The next question is: When do people reach these "barriers to working"? Among those younger than age 50, only about one in ten are facing a work barrier (13%). But when you look at people in their pre-retirement years (age 50-64), the proportion jumps to one in four. After this, the proportion steadily rises. When you look at people age 70 and older, fully one-half have reached a barrier to working (53%).

Thank you, Mr. Chairman.